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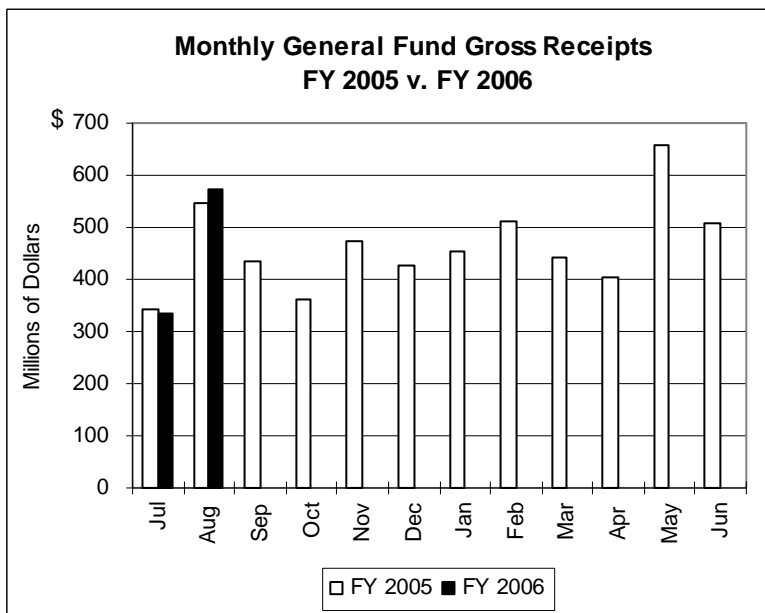
ADMINISTRATIVE SERVICES
 TIMOTHY C. FALLER

MEMORANDUM

TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives
 FROM: Dennis C. Prouty
 DATE: September 1, 2005

Monthly General Fund Receipts through August 31, 2005

The attached spreadsheet presents year-to-date FY 2006 General Fund receipts, with comparable figures for actual FY 2005. The figures can be compared to the FY 2006 estimate of \$5.581 billion set by the Revenue Estimating Conference (REC) on April 8, 2005. The FY 2006 estimate is an increase of \$11.8 million (0.2%) compared to actual FY 2005 gross cash receipts (excluding transfers and accrued revenue changes). The current low growth projection is due to FY 2005 gross cash receipts exceeding REC projections. The next Revenue Estimating Conference is scheduled for October 14.



FY 2006 Compared to FY 2005

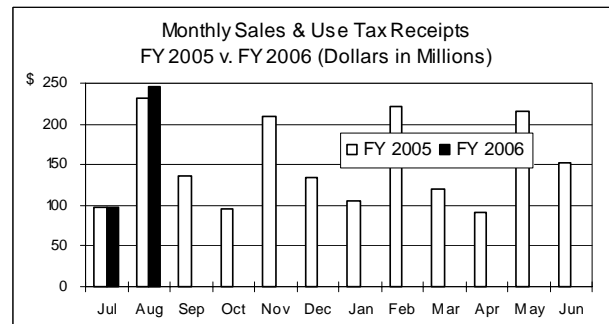
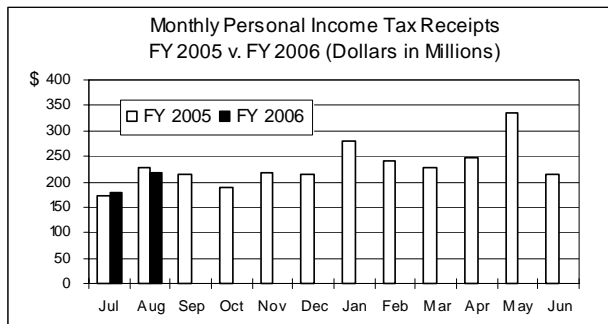
Fiscal year 2006 total cash gross revenue (excluding transfers) increased \$21.5 million (2.4%) compared to FY 2005. Major revenue sources contributing to the change include:

- Personal income tax (negative \$2.8 million)
- Sales & use tax (positive \$13.0 million)
- Corporate tax payments (negative \$1.1 million)
- Other taxes (positive \$23.5 million)
- Other receipts (negative \$11.2 million)

Personal income tax revenues received in August totaled \$216.6 million, a decrease of \$9.7 million (- 4.3%) compared to August 2004.

Withholding tax deposits have shown negative growth since April 26th, decreasing \$23.8 million (- 3.0%) since that date. While recent changes to withholding tax tables were projected to decrease the rate of income tax growth, the changes were not expected to produce negative growth. Department of Revenue projections called for the withholding tax change to reduce withholding tax receipts by \$35.3 million between April 26 and August 31. Adjusting for that amount of reduction, the base growth since April 26 is 1.4%. Prior to April 26, the annual rate of growth was approximately 6.6%. The Fiscal Division will continue to monitor the withholding tax downturn.

The FY 2006 REC income tax estimate of \$2.791 billion represents a projected increase of 0.3% compared to actual FY 2005. Year-to-date, total income tax receipts have decreased 0.7%. By subcategory, withholding tax payments decreased 1.3% while income tax estimate payments increased 2.0%. Payments with returns are not a significant revenue source through August. The following chart compares FY 2006 monthly personal income tax receipts from the three personal income tax subcategories with FY 2005.



Sales & Use tax receipts received in August totaled \$245.0 million, an increase of \$12.5 million (5.4%) compared to August 2004.

The REC estimate for FY 2006 sales & use tax receipts is \$1.850 billion, an increase of 2.1% compared to actual FY 2005. Year-to-date, sales & use tax receipts increased 3.9%. The preceding chart compares FY 2006 monthly sales tax receipts with FY 2005.

Corporate tax receipts received in August totaled \$12.4 million, a \$2.8 million increase (29.2%) compared to August 2004. The REC estimate for FY 2006 corporate tax revenue is \$295.7 million, which represents an increase of 5.3% compared to actual FY 2005. Year-to-date, corporate tax revenue has decreased 4.9%.

Other tax receipts received in August totaled \$61.8 million, a \$22.4 million (56.9%) increase compared to August 2004. The large increase was the result of insurance premium tax changes currently being phased-in over several years. The tax rate is being lowered from 2.0% to 1.0%, while the timing of the payments is modified. This results in larger payments due in August and a reduction in payments due in March and June.

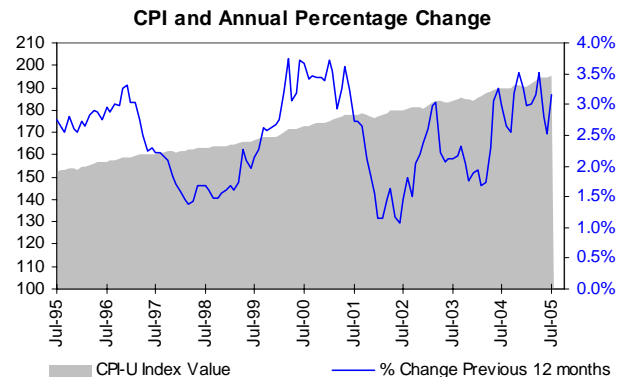
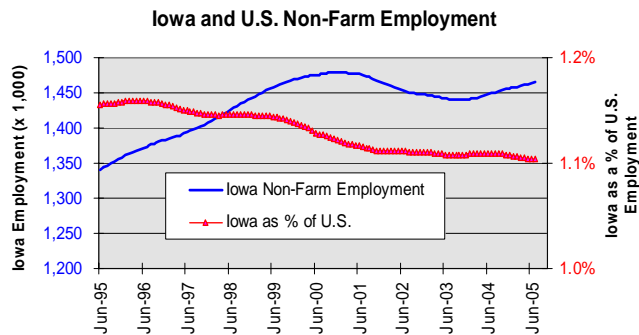
The REC estimate for FY 2006 receipts from other taxes is \$350.5 million, which represents a decrease of 1.4% compared to actual FY 2005. Year-to-date, other tax receipts have increased \$23.5 million. Without the accelerated insurance premium taxes, other tax receipts would show a year-to-date decrease of \$3.6 million.

Other receipts (non-tax receipts) received in August totaled \$37.7 million, a \$1.4 million (3.9%) increase compared to August 2004. Year-to-date, other receipts have decreased \$11.2 million (- 14.3%). The REC estimate for FY 2006 other receipt revenue is \$293.7 million, which represents a decrease of 13.1% compared to actual FY 2005. The year-to-date and projected decreases relate to transfers from the Unclaimed Property Fund.

Status of the Economy

Iowa non-farm employment was reported at 1,466,200 for the month of July (not seasonally adjusted), 16,200 higher than July 2004. The non-farm employment number includes only employees covered by the Unemployment Insurance system. Therefore, self-employed and other non-covered employment situations are not part of the non-farm count.

The 12-month Iowa moving average employment is presented in a graph below. Iowa non-farm employment (12-month average) peaked at an all time high in January 2001 (1,478,700), and the recent low was September 2003 (1,439,900). The current 12-month average reading is 1,464,900, so Iowa non-farm employment is roughly 13,800 below the peak and 24,900 above the recent low point. The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. The current 1.10% rating is the lowest since 1989.



Consumer prices increased 0.5% during the month of July (not seasonally adjusted). The Consumer Price Index (CPI-U) through July 2005 was 195.4 (1983/84=100), 3.2% higher than one year ago. The annual rate of inflation jumped significantly after March 2004 and has fluctuated between 2.5% and 3.5% since that time (16 months).

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://staffweb.legis.state.ia.us/lfb/receipts/daily.html>.

GENERAL FUND RECEIPTS - FY 2005 vs. FY 2006 July 1 through August 31 (in millions of dollars) Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 05 Actual Compared to FY 06 REC Estimate		
	FY 2005	FY 2006	Year to Date % CHANGE	August % CHANGE	Actual FY 2005	Estimate FY 2006	Projected % CHANGE
Personal Income Tax	\$ 397.4	\$ 394.6	-0.7%	-4.3%	\$ 2,782.3	\$ 2,790.9	0.3%
Sales/Use Tax	329.2	342.2	3.9%	5.4%	1,812.3	1,849.9	2.1%
Corporate Income Tax	22.3	21.2	-4.9%	29.2%	280.9	295.7	5.3%
Inheritance Tax	14.5	12.1	-16.6%	-21.8%	78.4	74.7	-4.7%
Insurance Premium Tax	21.5	48.6	126.0%	126.8%	130.9	129.8	-0.9%
Cigarette Tax	14.6	14.9	2.1%	0.0%	87.4	86.2	-1.4%
Tobacco Tax	1.4	1.5	7.1%	33.3%	8.7	8.3	-5.0%
Beer Tax	2.7	2.7	0.0%	0.0%	14.0	14.1	0.6%
Franchise Tax	1.8	2.9	61.1%	400.0%	35.4	36.4	2.8%
Miscellaneous Tax	2.6	-0.1	-103.8%	-333.3%	0.6	1.0	75.9%
Total Special Taxes	\$ 808.0	\$ 840.6	4.0%	5.5%	\$ 5,231.0	\$ 5,287.0	1.1%
Institutional Payments	2.1	2.3	9.5%	54.5%	12.7	12.8	0.7%
Liquor Profits	6.5	7.8	20.0%	56.8%	59.0	59.0	0.0%
Interest	0.9	2.0	122.2%	100.0%	9.7	7.5	-22.6%
Fees	10.2	11.1	8.8%	4.1%	72.3	69.4	-4.0%
Judicial Revenue	7.1	8.0	12.7%	100.0%	59.2	57.3	-3.1%
Miscellaneous Receipts	23.7	6.9	-70.9%	-52.7%	65.1	27.7	-57.4%
Racing and Gaming Receipts	27.6	28.8	4.3%	1.1%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 886.1	\$ 907.6	2.4%	5.4%	\$ 5,568.9	\$ 5,580.7	0.2%